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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
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11 SHERRI PEGUES,

12 Plaintiff,

13 vs.

14 RAYTHEON COMPANY; EVELYN
15 PEGUES (aka EVELYN JOHNSON);
and DOES 1 THROUGH 25,

16
17 Defendants.
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Case No. CV 17-5420 DSF (GJSx)

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

1 This action was tried before the Court on March 12 and 13, 2019.
2 Having heard and reviewed the evidence and having considered the
3 parties' post-trial briefs, the Court makes the findings of fact and
4 conclusions of law set forth below.¹

5 **FINDINGS OF FACT**²

6 1. Plaintiff Sherri Pegues³ seeks benefits under an employee
7 welfare benefit plan (the Plan) governed by the Employee Retirement
8 Income Security Act, 29 U.S.C. § 1001, *et seq.* (ERISA).

9 **A. The Plan**

10 2. The Plan is a group life insurance plan sponsored by
11 Defendant Raytheon Company. Trial Exhibit (Tr. Ex.) 200, Bates Pru
12 0002.

13 3. The Plan was fully funded by group life insurance contract no.
14 G-52020-MA (the Group Contract) issued by The Prudential Insurance
15 Company of America to Raytheon on January 1, 2016. *Id.* at Bates Pru
16 0002-0003; Trial Transcript (TT) at 403:18-23.

17 4. Pursuant to the Group Contract, Prudential administered and
18 paid from its own assets all life insurance claims under the Group
19 Contract. Tr. Ex. 200, Bates Pru 0002, 0049; TT at 405:23-406:20;
20 408:24-409:5.

21 5. Prudential was the claims administrator and payor of all life
22 insurance benefits under the Plan. *Id.*; Tr. Ex. 201, Bates RAYTHEON
23 0590.

24 _____
25 ¹ Any finding of fact deemed to be a conclusion of law is incorporated into the conclusions of law. Any
conclusion of law deemed to be a finding of fact is incorporated into the findings of fact.

26 ² Plaintiff submitted a "red-line" of Defendant's proposed findings of fact and conclusions of law indicating numerous
27 disputes. Where the Court declined to adopt one of the disputed facts, the Court found the fact was either unsupported
or irrelevant to its determination.

28 ³ To avoid confusion, the Court refers to Sherri, Marvin, and Evelyn Pegues by their first names. No disrespect is
intended.

1 6. Raytheon contracted with Prudential to fully fund and
2 administer all claims for life insurance benefits under the Plan. TT at
3 428:5-13.

4 7. The Group Contract's "BENEFICIARY RULES" section
5 states, in part: "'Beneficiary' means a person chosen, on a form approved
6 by Prudential, to receive the insurance benefits. . . . You may change the
7 Beneficiary at any time without the consent of the present Beneficiary.
8 The Beneficiary change form must be filed through [Raytheon]. The
9 change will take effect on the date the form is signed." Tr. Ex. 200, Bates
10 Pru 0049.

11 8. Under the controlling terms of the Plan, a beneficiary must be
12 designated "on a form" approved by Prudential, and a change of
13 beneficiary must be "filed" through Raytheon on a "form [that] is signed."
14 Id.

15 9. Raytheon is a global company with more than 100,000 active
16 and former employees who participate in numerous, varied types of
17 employee benefit plans offered by Raytheon, including the Plan. TT at
18 336:1-3.

19 10. Raytheon contracted with a benefits administration company,
20 a unit of Xerox (now known as Conduent), which operates as "Raytheon
21 Benefit Center" (RBC), to render certain benefits administration
22 functions. TT at 335:16-21; 402:17-403:1; 428:21-429:5.

23 11. Those functions include operating and maintaining the RBC
24 website and call center that employees are instructed to contact if they
25 have questions about benefits. TT at 189:23-190:5; 335:22-25; 385:8-20.

26 12. It was Conduent's responsibility to communicate with
27 Raytheon employees about their benefits under the Plan and to answer
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employees' questions about beneficiary designations and about using the RBC website. TT at 404:13-17.

13. Conduent handles approximately 170,000 calls and about 600,000 transactions on the RBC website per year. TT at 336:1-13.

14. Raytheon and Conduent are separate, unrelated entities. TT at 404:18-24.

B. Marvin's Participation in the Plan

15. Marvin Pegues, Sr. participated in the Plan beginning in 1978 by virtue of his employment with Raytheon. Tr. Ex. 57, Bates Pru 0093, 94.

16. At that time, he was unmarried, and he designated his mother, Evelyn Johnson (a.k.a. Evelyn Pegues), as his life insurance beneficiary by filing a written, hard-copy form. Id. at Bates Pru 0094-0097.

17. Marvin worked for Raytheon for the next 30+ years, during which time his circumstances changed; he married Sherri in 1982 and had two children with her. Tr. Ex. 202.

18. Marvin had the ability to change his life insurance beneficiary at any time for any reason. Tr. Ex. 200, Bates Pru 0049; TT at 438:16-23. He also had the ability to log on to the RBC website at any time to determine who was then designated as his beneficiary. Tr. Ex. 201, Bates RAYTHEON 0478.

19. Raytheon provided a Benefits Handbook to its employees, including Marvin, which informed them in part:

Having up-to-date beneficiaries for your life insurance is important, especially if you've had a life event change—such as marriage, birth, or divorce. With Desktop Benefits, you can elect and make changes to your beneficiary(ies) any time by

1 visiting <https://raytheon.benefitcenter.com>. If your initial
2 beneficiary election was made manually—and you want to
3 know who your current beneficiaries are before making your
4 online designation— just call the Raytheon Benefit Center at
5 800-358-1231, Monday–Friday, 8:00 a.m.– 8:00 p.m. Eastern
6 Time (ET). Once you’ve named your beneficiary online, you
7 can view and change your designation online at any time.

8 Id.

9 20. There were only two ways for a Raytheon employee to change
10 his life insurance beneficiary under the Plan: by going to the RBC
11 website and completing the online steps necessary to change the
12 beneficiary, or by completing, signing and submitting to the RBC a hard
13 copy change of beneficiary form. Id.; TT at 342:13-21.

14 21. On July 21, 2011,⁴ Marvin called the RBC and spoke with
15 “Art,” an employee of Conduent (then Xerox). Tr. Ex. 8; TT at 373:17-19.

16 22. During the call, Art informed Marvin that Evelyn was the
17 beneficiary under the Plan. Tr. Ex. 8, Bates RAYTHEON 0101.

18 23. Marvin stated, “OK, I need that changed to my wife.” Marvin
19 told Art that he did not know Evelyn was his beneficiary, they joked
20 about it, and Art explained that it happens often. Id. at Bates
21 RAYTHEON 0101-02.

22 24. Marvin had significant difficulty navigating the RBC website
23 during this call. See Tr. Ex. 8.

24 25. Art offered to send Marvin a beneficiary change form for
25 him to complete and return, but Marvin declined that offer and chose to
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⁴ As discussed below, the Web Trends and witness testimony confirm that Marvin spoke with Art on July 21, 2011.

1 attempt to make the change using the RBC website instead. Id. at Bates
2 RAYTHEON 0101.

3 26. At another point in the conversation while trying to change
4 his life insurance beneficiary, Marvin asked Art if Art could send him the
5 form electronically. Art replied: “No, they have to send it in the mail.
6 We can’t update it on the web. You either have to do it or we have to
7 send you the form.” Id. at Bates RAYTHEON 0104-05.

8 27. During the call, Art attempted to walk Marvin through the
9 online steps necessary to change his life insurance beneficiary from
10 Evelyn to Sherri. Id. at Bates RAYTHEON 0102-0110.

11 28. When Marvin told Art that it appeared from the screen
12 Marvin was viewing that the change had been made, Art informed
13 Marvin that the beneficiary change was not reflected on the screen that
14 Art was viewing, even though (as Art told Marvin) it should appear in
15 “real time” on Art’s screen if the change had been made. Id. at Bates
16 RAYTHEON 0110.

17 29. Art then instructed Marvin to print out what Marvin saw on
18 his computer screen and to turn it in. Id.

19 30. Marvin never turned in the print-out of the screen reflecting
20 his attempt to change his life beneficiary as Art instructed him to do. TT
21 at 358:4-6; 365:24-369:8.

22 31. At no time, including during Marvin’s call with Art, did
23 Marvin complete a change of beneficiary under the Plan from Evelyn to
24 Sherri. Tr. Ex. 8; Tr. Ex. 502; TT at 255:1-263:9.

25 32. Marvin passed away on April 15, 2016. Tr. Ex. 205.

26 33. At the time Marvin passed away, the life beneficiary
27 designation on file on a form approved by Prudential named Evelyn as
28 his beneficiary under the Plan. TT at 464:5-9.

1 **C. Prudential's Investigation and Payment of Evelyn's**
2 **Claim Under The Plan**

3 34. On April 29, 2016, Prudential sent Evelyn a letter instructing
4 Evelyn on how to submit a claim for benefits under the Plan. Tr. Ex.
5 204.

6 35. Evelyn then submitted a claim. Tr. Ex. 13.

7 36. Prudential approved and paid Evelyn's claim in full in the
8 amount of \$593,227.94 by a check dated May 23, 2016. Tr. Exs. 15, 17.

9 37. Thereafter, Sherri and her counsel wrote to Prudential
10 asserting that Sherri, not Evelyn, was Marvin's beneficiary and that
11 Prudential had improperly paid the benefits to Evelyn. Tr. Ex. 208.

12 38. In an attempt to support her assertion, Sherri submitted
13 information to Prudential and the RBC, including declarations of
14 Marvin's co-workers at Raytheon, Charnette Humphrey and Catalina
15 Fuentes. Id.

16 39. Sherri also submitted what she asserted was a print-out of a
17 screen shot from Marvin's computer screen reflecting Marvin's online
18 change of beneficiary to Sherri on July 21, 2011, the day Marvin spoke
19 with Art at the RBC (Screen Shot). Tr. Ex. 57, Bates Pru 0198.

20 40. In response to Sherri's assertions, Prudential contacted
21 Conduent, and Conduent (through its employee, Cara Doughty)
22 conducted an investigation of Sherri's assertions. Id. at Bates Pru 0128-
23 0129, 0206-0207.

24 41. Doughty, after an extensive search of Conduent's files and
25 data, determined that Conduent had no record of Marvin having
26 designated Sherri as his beneficiary, electronically or otherwise. Id. at
27 Bates Pru 0206-0207.

1 42. Doughty informed Prudential of this determination and
2 explained that the Screen Shot is the screen Marvin would have seen on
3 the RBC website before completing the online change of beneficiary
4 process. Id.

5 43. Conduent's investigation included an examination of web
6 transactions made from Marvin's computer, which showed that while
7 Marvin had visited the beneficiary designation pages of the RBC website,
8 Marvin never reached the final screen on the RBC website as was
9 required in order to complete the online change of beneficiary process
10 through the RBC website. Id.

11 44. After learning the results of Conduent's investigation,
12 Prudential notified Sherri that the life insurance proceeds had been
13 correctly paid to Evelyn. Tr. Ex. 22.

14 45. Prudential declined to pay Plan benefits to Sherri. Tr. Exs.
15 17, 22.

16 **D. Sherri Failed to Meet Her Burden of Proving that**
17 **Marvin Changed His Beneficiary from Evelyn to Sherri**

18 46. Conduent's Director of Technical Operations, Rayomand
19 Sarkari, testified that Conduent records all web activity by its employees
20 on the RBC website. TT at 190:19-20; 204:23-205:18.

21 47. Sarkari provided a web trends log that reflected what Marvin
22 did, and which pages he visited, on the RBC website in July 2011 and at
23 other times. Tr. Ex. 502; TT at 203:18-206:9.

24 48. Sarkari explained that the beneficiary change workflow
25 process (Workflow) on the RBC website is a 5-step process that enables a
26 participant to enter beneficiary information, and make beneficiary
27 changes, for both the Raytheon pension plan as well as the subject life
28 insurance Plan. TT at 216:18-219:25.

1 49. Within the Workflow, there is a spot to name one's pension
2 beneficiary and another, different spot to name one's life insurance
3 beneficiary. TT at 218:14-219:25.

4 50. Sarkari reviewed the web trends log and the transcript of
5 Marvin's call with Art at the RBC on July 21, 2011 and confirmed that,
6 while Marvin reached the beneficiaries review page for the Plan in the
7 Workflow (as reflected in the Screen Shot), that page was only the fourth
8 of the five steps needed to effectuate a change through the Workflow. TT
9 at 220:1-221:13; 223:5-14; 232:16-233:15.

10 51. Sarkari and the web trends log confirm that on July 21, 2011,
11 Marvin closed his web browser while Marvin was still on the
12 beneficiaries review page of the Workflow, without saving the
13 information needed to effectuate a change of life beneficiary from Evelyn
14 to Sherri, and without ever reaching the Confirmation Page of the
15 Workflow (the fifth and final step of the Workflow). 248:16-256:2; Tr. Ex.
16 503-002, Bates CHRS 000117 (Web Trends).

17 52. The Transcript supports Sarkari's conclusion that when
18 Marvin said "yes" in response to Art's "submit" question (Art asked him
19 if "[the workflow] let you submit it?"), Marvin was merely referring to the
20 fact that he had entered "100%" next to Sherri's name on the
21 beneficiaries review page – not that he had reached the Confirmation
22 Page of the Workflow. Tr. Ex. 8, Bates RAYTHEON 0110; TT 232:16-23.

23 53. Because Marvin never reached the Confirmation Page of the
24 Workflow, Art did not see Marvin's purported beneficiary change on the
25 RBC system. Tr. Ex. 8, Bates RAYTHEON 0110.

26 54. Conduent records every beneficiary change made through the
27 RBC website, and any such change is saved in the RBC's electronic
28 database. TT at 204:2-8.

1 55. Conduent checked that database twice – in 2016 and in 2019
2 – and confirmed that no online life beneficiary change was ever
3 completed by Marvin. Tr. Ex. 57, Bates Pru 0206-0207 (Doughty email);
4 Tr. Ex. 502 (web trends log).

5 56. Sarkari developed and worked with the RBC website and
6 Workflow for 19 years. TT at 199:21-200:7.

7 57. Sarkari explained that the RBC website is based on, and
8 connects to, Conduent's core website. That core website is connected to
9 the custom websites of all of Conduent's clients, so if there were any
10 design problems or glitches in the Workflow that could have prevented
11 Marvin or other Raytheon employees from making/saving beneficiary
12 changes, those problems would occur not just in the RBC website, but in
13 the custom websites of all of Conduent's clients. TT at 194:16-196:11;
14 234:6-235:23.

15 58. Sarkari testified any design or functionality problem with the
16 Workflow would have been brought to his attention because he was
17 responsible for the Workflow, and he testified that no such problem has
18 ever been reported or detected. TT at 200:14-19; 235:24-236:10.

19 59. Sherri presented no credible evidence of a problem or
20 malfunction in the system. As explained below, the "problems with the
21 system" described by Sherri's witnesses were the result of user error and
22 mistaken beliefs about navigating the Workflow. TT at 236:18-237:1-25.

23 60. Fuentes, Marvin's former co-worker, testified that she
24 witnessed Marvin change his life insurance beneficiary to Sherri, hit the
25 "submit" button on the screen, and print the Screen Shot. TT at 38:17-
26 39-10; 55:22-25. She stated she then walked with Marvin over to the fax
27 machine and witnessed Marvin fax the Screen Shot to RBC. TT at 39:11-
28 13; 56:1-5.

1 61. She testified that after she witnessed Marvin fax the Screen
2 Shot, she heard Marvin on the phone with someone at RBC. TT at 56:20-
3 57:13. During that phone call she heard Marvin say he was mad that his
4 beneficiary “had not changed when he – we knew that he had already
5 submitted it.” Id.

6 62. She stated that Marvin called RBC “because evidently, it [the
7 change] didn’t take.” Id. at 55:8-19.

8 63. Fuentes’s testimony is not credible because during the phone
9 call with Art, Marvin is surprised to learn that his beneficiary is listed as
10 Evelyn instead of Sherri. Tr. Ex. 8, Bates RAYTHEON 0102. Marvin
11 does not state that he ever updated or changed his beneficiary to Sherri,
12 nor does Marvin mention that he just faxed a change of beneficiary to
13 RBC. Marvin and Art joke about what Sherri’s reaction would be if she
14 found out his beneficiary has been Evelyn. Id.

15 64. In addition, Fuentes signed an affidavit in August 2016 for
16 the purpose of supporting Sherri’s assertion that Marvin changed his
17 beneficiary to Sherri. Tr. Ex. 57, Bates Pru 0247; TT at 63:10-19. At
18 that time Fuentes stated, without more, that she saw Marvin update his
19 beneficiary online and submit his marriage license in 2011. Tr. Ex. 208,
20 Bates Pru 0204.

21 65. But the evidence demonstrated that the marriage license was
22 faxed to the RBC in February 2012 for the purpose of verifying that
23 Sherri was Marvin’s dependent for health insurance purposes; that fax
24 was unrelated to life insurance. Tr. Ex. 522, Bates CHRS 32-33; TT at
25 443:9-444:13.

26 66. Fuentes did not state in her 2016 affidavit that Marvin
27 printed the Screen Shot, or that she witnessed Marvin fax the Screen
28 Shot to the RBC. TT at 63:20-64:1. The Screen Shot is the document

1 relevant to this claim. If Fuentes had faxed the Screen Shot, her
2 declaration would have stated that fact.

3 67. Neither Fuentes nor any other witness produced a fax cover
4 sheet to show that the Screen Shot was ever faxed to the RBC at any
5 time before Marvin's death. Id. at 59:20-60:16.

6 68. Fuentes' testimony that she witnessed Marvin fax the Screen
7 Shot to the RBC in July 2011 was directly refuted by Doughty,
8 Conduent's Client Service Manager who oversees a team at Conduent
9 that handles health and welfare benefits (including life insurance) for
10 Raytheon for the past 22 years. Id. at 333:8-335-12; 366:2-10.

11 69. During Doughty's entire 22-year employment with Conduent,
12 her role has been to service Raytheon on behalf of Conduent. Id. at
13 334:13-16.

14 70. Conduent keeps case notes of every fax received by the RBC
15 that pertains to a Raytheon employee. Id. at 366:11-367:15.

16 71. Conduent's case notes confirm that the RBC never received a
17 fax (in July 2011 or at any other time prior to Marvin's death) pertaining
18 to Marvin's life insurance beneficiary. Tr. Ex. 522; TT at 368:14-369:8.

19 72. If Marvin had actually submitted the Screen Shot to the RBC,
20 he would have been told that doing so was insufficient to change his
21 beneficiary. He would have been instructed to either complete the online
22 Workflow process or to submit a hard-copy, signed beneficiary change
23 form. TT at 370:12-21.

24 73. Because those were the only two ways a life insurance
25 beneficiary change could be effected and recognized pursuant to the
26 terms of the Group Contract, id. at 375:13-24, even if Sherri had
27 established that the Screen Shot had been faxed to RBC in July 2011,
28

1 that would be insufficient to prove that Marvin effectively changed his
2 beneficiary from Evelyn to Sherri.

3 74. Further, Fuentes admitted that when she purportedly saw
4 Marvin designate Sherri as his beneficiary on the RBC website in 2011,
5 she did not know whether he was doing so with respect to the (life
6 insurance) Plan, the pension plan, or some other Raytheon benefit plan.
7 Id. at 67:8-14.

8 75. Fuentes admitted she was unaware in 2011 that the
9 beneficiary Workflow had different sections applicable to different types
10 of benefits and beneficiaries, and in particular that the pension
11 beneficiary designation section was different from the life insurance
12 beneficiary designation. Id. at 67:2-7.

13 76. Humphrey, Marvin's friend and former co-worker at
14 Raytheon, testified Marvin had updated his beneficiary under the Plan
15 during the Plan's annual open enrollment period in 2008, 2009, 2010,
16 and 2011. TT at 90:8-15; 91:4-16, 108:23-109:1. Humphrey also testified
17 that she helped Marvin update his life insurance beneficiary online
18 several times from 2008 to 2011.⁵ Id. at 91:4-16.

19 77. This testimony does not assist Sherri. First, like Fuentes,
20 Humphrey erroneously believed that there was only one location in the
21 Workflow where a beneficiary could be designated or changed and that,
22 during the period of time that she purportedly witnessed Marvin
23 updating his life insurance beneficiary to Sherri in 2011, there was only

24 _____
25 ⁵ Humphrey's testimony is not credible because if Marvin had actually changed his
26 beneficiary in 2008, 2009 and/or 2010, or even if he believed he had done so, when
27 he spoke with Art in July 2011, and Art told him that Evelyn was his life insurance
28 beneficiary, one would expect that Marvin would have informed Art that he had
previously designated Sherri as his life insurance beneficiary on more than one
occasion. But the Transcript reflects no such comment by Marvin, directly refuting
Humphrey's testimony that Marvin had updated his life beneficiary to Sherri several
times prior to 2011. Tr. Ex. 8.

1 one screen in the Workflow where a beneficiary could be named for all
2 benefit plans offered by Raytheon. Id. at 112:1-113:2.

3 78. Humphrey was mistaken. Her testimony was refuted by
4 Sarkari who testified that from at least 2009 through 2016, the Workflow
5 was materially unchanged, and contained separate screens for
6 designating a pension beneficiary and a life beneficiary (under the
7 Health & Welfare pages of the Workflow – which Sarkari described as
8 the “bread crumb” nos. 3 and 4 in the Workflow). Id. at 201:1-18; 218:1-
9 219:25; 233:2-15.

10 79. Humphrey’s testimony that she saw Marvin input Sherri’s
11 information as his life beneficiary is not persuasive, given that she was
12 unaware of the separate benefit pages, and could not confirm that
13 Marvin changed his life insurance beneficiary with respect to the Plan.
14 Id. at 112:1-15.

15 80. Humphrey also testified that she was with Fuentes in July
16 2011 and witnessed Marvin printing the Screen Shot before Marvin’s
17 phone call with Art, that she scanned the Screen Shot into her computer,
18 and that she came across a copy of the Screenshot before Marvin passed
19 away. TT at 110:7-23; 117:3-118:4; 120:4-10. This is inconsistent with
20 Fuentes’s testimony that Humphrey was not even present when Marvin
21 “hit submit.” TT at 38:24-39:2.

22 81. Though there is no serious argument that Marvin intended
23 Evelyn to be his life insurance beneficiary at the time of his death,
24 neither Marvin’s alleged communications to Humphrey that he wanted
25 to change his life insurance beneficiary, nor the alleged faxing of the
26 Screen Shot in July 2011 were sufficient to effectuate a life beneficiary
27 change under the terms of the Plan. Tr. Ex. 200, Bates Pru 0049.
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1 **E. Marvin Did Not Substantially Comply With the Steps**
2 **Necessary to Change His Beneficiary**

3 82. During every open enrollment period (held annually in the
4 fall), Raytheon employees were reminded to make sure their beneficiary
5 designations were correct and up-to-date. See id. at 41:2-7; 69:14-70:10;
6 120:24-121:17; 345:400:7-14; 437:13-438:12.

7 83. This reminder was also included in a newsletter posted on the
8 RBC website and mailed to each Raytheon employee's home every year.
9 Id. at 345:23-346:16.

10 84. There were five open enrollment periods between Marvin's
11 call to the RBC in July 2011 and his death in April 2016. Despite those
12 multiple reminders and opportunities for Marvin to confirm his
13 purported belief that he had changed his beneficiary, he never did so. Id.
14 at 373:13-374:4.

15 85. Even though Art told Marvin in July 2011 that the purported
16 change of beneficiary did not show up in RBC's electronic database,
17 Marvin never thereafter logged onto the RBC website or called the RBC
18 to confirm that a change of his life insurance beneficiary had been
19 submitted. Tr. Ex. 8, Bates RAYTHEON 0110; TT at 256:18-263:9.

20 86. Marvin's failure to contact the RBC to verify the beneficiary
21 changes establishes that he did not do all he reasonably could have done
22 to make that change.

23 87. Marvin had the ability to go onto the RBC website and to
24 view or change his life insurance beneficiary at any time. Tr. Ex. 201,
25 Bates RAYTHEON 0478; TT at 445:14-23.

26 88. Marvin could have requested a change of beneficiary form at
27 any time from the RBC, but he never did so, even though Art offered to
28

1 send Marvin a hard-copy beneficiary change form during their call on
2 July 21, 2011. Tr. Ex. 8, Bates RAYTHEON 0101.

3 89. Because, as explained above, Marvin (a) never submitted the
4 screen shot to the RBC, (b) never followed up with the RBC after his July
5 21, 2011 call with Art to confirm that a change of beneficiary had been
6 made, and (c) could have asked Art to send him a written change of
7 beneficiary form, but chose not to do any of those things, Marvin did not
8 substantially comply with the change of life beneficiary process for the
9 Plan.

10 CONCLUSIONS OF LAW

11 1. Partial summary judgment was granted in favor of Raytheon
12 on Sherri's ERISA-governed breach of fiduciary duty claim, leaving only
13 a claim for relief against Raytheon for the payment of benefits under the
14 terms of the Plan pursuant to 19 U.S.C. § 1132(a)(1)(B).

15 2. Under 29 U.S.C. § 1132(a)(1)(B), Plan benefits are only
16 recoverable "under the terms of the plan."

17 3. Here, the Group Contract is a Plan document that governs
18 Sherri's claim for benefits.

19 4. The Group Contract's "BENEFICIARY RULES" state that a
20 beneficiary must be designated "on a form" approved by Prudential, and
21 a change of beneficiary must be "filed" through Raytheon on a "form
22 [that is] signed." Tr. Ex. 200, Bates Pru 0049.

23 5. Sherri has the burden of proving Marvin changed his
24 beneficiary from Evelyn to Sherri as required by the terms of the Plan.
25 See Muniz v. Amec Constr. Mgmt., Inc., 623 F.3d 1290, 1294 (9th Cir.
26 2010).

27 6. Sherri failed to meet her burden of proving that Marvin
28 designated her as his beneficiary pursuant to the terms of the Plan.

1 7. Sherri cannot establish liability against Raytheon for the
2 payment of Plan benefits under the “substantial compliance” doctrine.

3 8. The Ninth Circuit has recognized the equitable doctrine of
4 substantial compliance in interpleader actions. The doctrine can be used
5 to give effect to an insured’s attempt to change a beneficiary, even
6 though it may be less than what the plan strictly requires. See
7 BankAmerica Pension Plan v. McMath, 206 F.3d 821, 830 (9th Cir.
8 2000).

9 9. No interpleader action has been filed here and Sherri resolved
10 her claim against Prudential, the only party that had the ability to file
11 one.

12 10. The substantial compliance doctrine does not apply outside
13 the interpleader context. Even if it did, for the reasons stated above,
14 Sherri still would not prevail.

15 11. ERISA’s civil enforcement scheme represents “a careful
16 balancing of the need for prompt and fair claims settlement procedures
17 against the public interest in encouraging the formation of employee
18 benefit plans.” Aetna Health Inc. v. Davila, 542 U.S. 200, 208 (2004)
19 (quoting Pilot Life Ins. Co., v. Dedeaux, 481 U.S. 41, 54 (1987)).

20 12. Because employers are not obligated to offer employee
21 benefits, these interests are advanced by adhering to “a predictable set of
22 liabilities, under uniform standards of primary conduct and a uniform
23 regime of ultimate remedial orders and awards when a violation has
24 occurred.” Rush Prudential HMO, Inc. v. Moran, 536 U.S. 355, 379
25 (2002), overruled in part on other grounds by Kentucky Ass’n of Health
26 Plans v. Miller, 538 U.S. 329, 341–42 (2003).

27 13. Liabilities are predictable when courts focus on the written
28 plan documents. ERISA does not confer substantive rights; rather,

1 ERISA protects “contractually defined benefits.” Mass. Mut. Life Ins. Co.
2 v. Russell, 473 U.S. 134, 148 (1985).

3 14. ERISA plans must be administered, and benefits paid, “in
4 accordance with the documents and instruments governing the plan.” 29
5 U.S.C. § 1104(a)(1)(D); Kennedy v. Plan Adm’r for DuPont Savs. & Inv.
6 Plan, 555 U.S. 285, 300 (2009).

7 15. “The plan, in short, is at the center of ERISA. Employers
8 have large leeway to design disability and other welfare plans as they
9 see fit. And once a plan is established, the administrator’s duty is to see
10 that the plan is maintained pursuant to that written instrument.”
11 Heimeshoff v. Hartford Life & Acc. Ins. Co., 571 U.S. 99, 108 (2013)
12 (internal citations, quotation marks, and alterations omitted).

13 16. The Supreme Court has “recognized the particular
14 importance of enforcing plan terms as written in Section 502(a)(1)(B)
15 claims” because “the statutory language [of Section 502(a)(1)(B)] speaks
16 of ‘*enforc[ing]*’ the terms of the plan, not of *changing* them.” Heimeshoff,
17 571 U.S. at 108 (emphasis in original) (internal citations and quotation
18 marks omitted).

19 17. The authorities cited by Plaintiff in support of her request for
20 the application of the substantial compliance doctrine involve an
21 interpleader action or are otherwise factually distinct.

22 18. In those cases, the insurer, or claims payor, could not
23 determine the rightful beneficiary of benefits that had not yet been paid,
24 and asked the court to decide which of the competing claimants should
25 receive them. Under that scenario, courts declined to follow the
26 otherwise applicable policy procedures for changing insurance
27 beneficiaries and instead looked at which of the competing claimants had
28 the stronger claim to benefits. In that limited context, courts were

1 willing to acknowledge a claimant/beneficiary where the efforts to
2 designate said beneficiary were in “substantial compliance” with the
3 beneficiary designation requirements.

4 19. Here, equitable principles do not govern because the Court
5 granted summary judgment in favor of Raytheon on Sherri’s equitable
6 claim under ERISA Section 1132(a)(3), leaving only a Section
7 1132(a)(1)(B) claim for benefits under the terms of the Plan.

8 20. This case is distinguishable from the cases where the
9 substantial doctrine was applied because the insurer and claims payor,
10 Prudential, determined that Evelyn was Marvin’s beneficiary and paid
11 the benefits to Evelyn.

12 21. The Court is unaware of any case in which a court applied the
13 substantial compliance doctrine to find an employer liable for the
14 payment of plan benefits after the claims fiduciary had already paid the
15 benefits to another party. Plaintiff has cited to none.

16 22. Further, in interpleader cases where the substantial
17 compliance doctrine was applied, liability was imposed on the claims
18 fiduciary/payor, not the plan sponsor. Sherri seeks to do the opposite.

19 23. The subject Plan covers more than 100,000 active and former
20 employees. The uniform, orderly administration of employee benefits for
21 such a large number of individuals – including formal procedures for
22 change of beneficiary requests – mandates that written Plan provisions
23 be followed without exception. See Moran, 536 U.S. at 379. For these
24 reasons, the Plan cannot recognize an individual employee’s mere
25 subjective intent or incomplete efforts to change his or her beneficiary in
26 any given circumstance, no matter how sympathetic, without seriously
27 disrupting the administration of Raytheon’s benefits program as a whole.
28

1 24. Even if this were an appropriate case in which to apply the
2 substantial compliance doctrine, the facts demonstrate that Marvin did
3 not “substantially comply” with the beneficiary designation process.

4 25. The substantial compliance doctrine applies only where it was
5 “beyond the power of the [decedent] to comply literally” with the
6 applicable procedural requirements for naming a beneficiary and only
7 when the decedent made “every reasonable effort” under the
8 circumstances to make the change before his death. West Coast Life Ins.
9 Co. v. Clarke, 650 Fed. Appx. 439, 440 (9th Cir. 2016) (quoting Pimentel
10 v. Conselho Supremo de Uniao Portuguesa do Estado, 6 Cal. 2d 182, 188
11 (1936); Manhattan Life Ins. Co. v. Barnes, 462 F.2d 629, 633 (9th Cir.
12 1972) (insured had not substantially complied with the formal
13 requirements to change his beneficiary because he had not made “every
14 reasonable effort” to change his beneficiary).

15 26. Judgment shall be entered in favor of Defendant Raytheon
16 Company and against Plaintiff Sherri Pegues on Plaintiff’s claim for
17 relief against Defendant under 29 U.S.C. Section 1132(a)(1)(B).

18
19 IT IS SO ORDERED.

20 Date: July 16, 2019



Dale S. Fischer

United States District Judge